

**STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765**

REVIEW REPORT
OF
INDIANA DEPARTMENT OF ENVIRONMENTAL MANAGEMENT
STATE OF INDIANA

April 1, 2001 to June 30, 2004



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AGENCY OFFICIALS

Office

Official

Term

Commissioner

Ms. Lori F. Kaplan

04-12-99 to 01-10-05



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF INDIANA DEPARTMENT OF ENVIRONMENTAL MANAGEMENT

We have reviewed the receipts, disbursements, and assets of the Indiana Department of Environmental Management for the period of April 1, 2001, to June 30, 2004. Indiana Department of Environmental Management's management is responsible for the receipts, disbursements, and assets.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the receipts, disbursements, and assets. Accordingly, we do not express such an opinion.

Financial transactions of this office are included in the scope of our audits of the State of Indiana as reflected in the Indiana Comprehensive Annual Financial Reports.

Based on our review, nothing came to our attention that caused us to believe that the receipts, disbursements, and assets of the Indiana Department of Environmental Management are not in all material respects in conformity with the criteria set forth in the Accounting and Uniform Compliance Guidelines Manual for State Agencies, and applicable laws and regulations except as stated in the review comments.

STATE BOARD OF ACCOUNTS

September 14, 2004

INDIANA DEPARTMENT OF ENVIRONMENTAL MANAGEMENT
REVIEW COMMENTS
June 30, 2004

FIXED ASSET INVENTORY

As stated in our prior report (B16786), the fixed asset inventory of the Indiana Department of Environmental Management is not complete as to additions. Additionally, an annual physical inventory of assets owned has not been conducted.

Each state agency is required to report to the Auditor of State all additions of assets with a cost of \$20,000 or more. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 10)

Once a year, after receiving a Fixed Asset Master Listing, a physical inventory is to be taken and compared to the Master Listing and the agency's listing of assets from its asset control system. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 10)

SDO ADVANCE

As stated in our prior report (B16786), the Special Disbursing Officer Fund (SDO) advance for Indiana Department of Environmental Management was not turned over, or reimbursed completely, for several months.

If a SDO advance is not used within one or two months then the SDO advance is too large and should be reduced. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 7)

PERSONAL LONG DISTANCE PHONE CALLS

It has been the practice of the Indiana Department of Environmental Management to allow employees to make personal long distance telephone calls on the agency's telephones. Each month, employees are to review telephone bills, identify their personal calls, and present a check or cash to the agency for payment.

Personal long distance calls are not allowed to be charged to the State or placed over the State telephone network. Such calls should be charged to the employee's home phone, personal calling card, or placed collect. Agencies should review monthly telephone billings for indication of charges for personal calls. If an agency discovers that personal calls have been placed, reimbursement must be sought for the charges incurred and the employee should be instructed not to charge additional long distance calls on the state network. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 5)

STATE-OWNED VEHICLES

As stated in our prior report (B16786), the Indiana Department of Environmental Management maintains a fleet of vehicles that are under-utilized.

State agencies may have vehicles assigned for long term use on a permanent basis. A vehicle should be returned when it is no longer considered necessary or becomes under-utilized, with less than 1,000 miles average monthly official State use. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 11)

INDIANA DEPARTMENT OF ENVIRONMENTAL MANAGEMENT
EXIT CONFERENCE

The contents of this report were discussed on November 3, 2004, with Susan M. Moster, Deputy Commissioner. The official response has been made a part of this report and may be found on Pages 6 through 9.



INDIANA DEPARTMENT OF ENVIRONMENTAL MANAGEMENT
We make Indiana a cleaner, healthier place to live.

Joseph E. Kernan
Governor

Lori F. Kaplan
Commissioner

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November 17, 2004

Charles Johnson, III
State Examiner
State Board of Accounts
302 West Washington Street
Indianapolis, Indiana 46204-2738

Re: Official Audit Response

Dear Mr. Johnson:

Enclosed please find the Indiana Department of Environmental Management's response to our audit covering the period April 1, 2001 – June 30, 2004.

If you should have any questions regarding the response please contact Susan Murphy Moster, Deputy Commissioner Operations at 233-0006.

Thank you.

Sincerely,

Lori F. Kaplan
Commissioner

Cc: Susan Murphy Moster
Clara Farrow

Response to Audit April 1, 2001 – June 30, 2004

Fixed Asset Inventory

1. SBOA: As stated in our prior report (B16786), the fixed asset inventory of the Indiana Department of Environmental Management is not complete as to additions.

IDEM: IDEM uses the GMIS PeopleSoft Asset Management module to record and manage the assets of the Agency. At the time of the interview with the SBOA auditor, we were experiencing problems with file uploads and updates from the PeopleSoft Financials module to the Asset Management module. Subsequently, the GMIS staff has corrected the problems and therefore currently our Asset Management module includes all additions.

2. SBOA: Each state agency is required to report to the Auditor of State all additions with a cost of \$20,000 or more.

IDEM: IDEM does report additions with a cost of \$20,000 or more to the Auditor's office but due to conflicts between the GMIS PeopleSoft Asset Management module's list of Description Codes and the Auditor's list of Description Codes, the Auditor has not accepted our reports containing the conflicting Description Codes. This is a matter that has been brought to the attention of the GMIS Team, DOA and the Auditor's office but is out of the control of the Agency.

3. SBOA: Once a year, after receiving a Fixed Asset Master Listing, a physical inventory is to be taken and compared to the Master Listing and the agency's listing of assets from its asset control system.

IDEM: IDEM will complete a physical inventory of the last Fixed Asset Master Listing by December 31, 2004. Annually from this point forward, an inventory will be taken to ensure that the asset inventory is accurate, that assets have not left the agency without proper authorization and to assist with identifying unused assets.

SDO Advance

IDEM has held on to pre-PeopleSoft large SDO advances in anticipation of the eProcurement implementation by the Government Management Information System (GMIS) section of the Department of Administration. The full implementation has been delayed. IDEM commits to reviewing its SDO advances and reducing advances to be more in line with actual usage.

Personal Long Distance Phone Calls

IDEM has been following 40 IAC 2-1-9(f) which states:

(f) A State officer or employee shall not make use of State materials, funds, property, personnel, facilities, or equipment for any purpose other than for official state business unless the use is expressly permitted by general written agency, departmental, or institutional policy or regulation, considering the cost and the benefit of such use.

IDEM's March 5, 2003 Limited Personal Use of State Resource policy is attached. The policy does state that these activities are permissible under certain parameters, although activity that results in long distance or other special charges to the State is not allowed. IDEM will strictly enforce this policy and remind staff of the parameters that must be followed to be in compliance with the policy.

State-Owned Vehicles

IDEM does not replace a vehicle unless it is driven more than 1,000 miles a month. A few of our vehicles that do not meet this average are specialty vehicles needed for emergency response or other specific needs. It is not economically feasible to drive a large specialty vehicle on routine business. These SUV type vehicles are needed for daily operations, but may not accumulate the miles necessary to meet the recommended average.

The use of federal funds to purchase these vehicles also makes the process to decommission a vehicle a longer task than vehicles purchased with 100% state funds. Documentation is sent to the federal agency and the federal agency has to process the request and give the State permission to begin the decommission process at the State level. This process can take 6-12 months or more to accomplish.

IDEM has been and will continue to utilize our vehicles as efficiently as possible while maintaining the necessary resources for staff to achieve their field responsibilities.

DEPARTMENT OF ENVIRONMENTAL MANAGEMENT		
POLICIES & PROCEDURES		AUTHORIZED: Lori F. Kaplan, Commissioner
SUBJECT: Limited Personal Use of State Resources	SUPERSEDES: New	PAGE 1 of 1
	EFFECTIVE: March 5, 2003	

I. Purpose

This policy establishes guidelines that permit very limited personal use of state resources and time by executive branch officers and employees.

II. Applicability

This policy applies to full-time or part-time permanent or temporary IDEM employees.

III. Policy Statement

A. Introduction

IDEM recognizes that IDEM employees are responsible individuals who are the key to making government work for its citizens. It further recognizes that employees and officers occasionally need to use state resources for emergencies and other occasional and infrequent personal activities that cannot reasonably be handled away from work. These activities might include (but not be limited to) communicating (by phone or fax machine unless such communication results in long distance or other special charges to the State) with schools, child-care providers, physicians, and others. These situations might also entail very limited use of copier or printer equipment. IDEM believes that accommodating occasional and limited use of state resources provides a public benefit of attracting and maintaining a diverse, well-rounded workforce. Employees should not be considered to have violated ethics rules by such limited, personal use of State resources.

B. Parameters

The parameters of permissible use under this policy are as follows:

1. The use must not interfere with the performance of public duties.
2. The use must be infrequent, of short duration and, unless not reasonably practical, made on the employee's personal time.
3. The use must not be for the purpose of conducting business related to an outside commercial activity.
4. A State officer or employee may not make private use of any State property which has been removed from State facilities or other official duty stations, even if there is no cost to the state.
5. This policy does not replace or lessen other restrictions, including rules that prohibit political activity in the work place.

IV. Legal Reference:

40 IAC 2-1-9(f) and (g):

(f) A State officer or employee shall not make use of State materials, funds, property, personnel, facilities, or equipment for any purpose other than for official state business unless the use is expressly permitted by general written agency, departmental, or institutional policy or regulation, considering the cost and the benefit of such use.

(g) A State officer or employee shall not engage in, or direct others to engage in work other than the performance of official duties during working hours, except as permitted by general written agency, departmental, or institutional policy or regulation.